

## ***U.S.-CAFTA-DR Free Trade Agreement*** **Maryland Farmers Will Benefit.**

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Exports of farm products help boost Maryland's farm prices and income. Such exports help support about 3,223 jobs both on and off the farm in food processing, storage, and transportation. In 2003, Maryland's farm cash receipts were \$1.5 billion, and agricultural exports were estimated at \$204 million, putting its reliance on agricultural exports at 14 percent. Implementation of the U.S.-Central America-Dominican Republic Free Trade Agreement (CAFTA-DR) will increase Maryland's exports of agricultural products.

### **Maryland Benefits From the U.S.- CAFTA-DR Free Trade Agreement (FTA)**

Despite over \$1.6 billion in U.S. farm exports in 2003, CAFTA-DR countries continue to impose high tariffs and other barriers on most agricultural products, including Maryland's key exports. A primary U.S. objective was to change the "one-way-street" of duty-free access currently enjoyed by most CAFTA-DR exports into a "two-way-street" that provides U.S. suppliers with access to these markets and levels the playing field with other competitors. This objective was achieved. Over 50 agricultural industry and farm groups, including the American Farm Bureau support the FTA.

**Poultry.** As the state's leading source of farm cash receipts (\$495 million) and top export sector, Maryland's poultry producers benefit from the FTA.

- U.S. poultry exporters currently face duties as high as 164 percent on both fresh and frozen products, and the WTO permits duties as high as 250 percent.
- Each CAFTA-DR country will provide immediate duty-free access on chicken leg quarters, a product where the United States is the world's most competitive exporter, through country-specific TRQs that expand annually as duties are eliminated in 17 to 20 years.
- Costa Rica and the Dominican Republic will establish duty-free TRQs for chicken leg quarters totaling 850 metric tons, each expanding by 10 percent annually. The other four Central American countries will establish a total regional duty-free TRQ of 21,810 metric tons (with individual country minimum quota levels). After year 12, the TRQ quantity will be no less than 5 percent of regional chicken production.
- Duties on poultry products such as wings, breast meat and mechanically de-boned poultry meat will be reduced more quickly, with many eliminated within 10 years.
- CAFTA-DR countries are working toward the recognition of the U.S. meat inspection and certification systems in order to facilitate U.S. exports.
- *The National Chicken Council, the USA Poultry and Egg Export Council, and the National Turkey Federation have expressed support publicly for the CAFTA-DR FTA.*

**Dairy.** Providing the 2<sup>nd</sup> largest source of state farm cash receipts at over \$162 million, Maryland's dairy producers benefit from the FTA.

- U.S. dairy exporters currently face duties as high as 60 percent, and the WTO permits duties as high as 100 percent.

- Each country will establish duty-free TRQs for certain dairy products totaling over 10,000 metric tons across the six countries – and each will receive the same level of TRQ access for dairy products entering the United States.
- TRQs will grow by 5 percent per year for the Central American countries and 10 percent per year for the Dominican Republic, with certain dairy products subject to safeguards during the phase-out period.
- All Central American and Dominican duties will be eliminated within 20 years, with duties on some dairy products eliminated earlier.
- *The National Milk Producers Federation, the U.S. Dairy Export Council, the Grocery Manufacturers of America, and the National Food Processors Association have expressed support publicly for the CAFTA-DR FTA.*

**Soybeans and Products.** As the state's 3<sup>rd</sup> largest export sector and 5<sup>th</sup> largest source of farm cash receipts (\$86 million), Maryland's soybean producers benefit from the FTA.

- Central American and Dominican import duties range from zero to 20 percent, and the WTO permits duties as high 90 percent.
- CAFTA-DR countries will provide immediate duty-free access for soybeans. Duties on soybean meal and flour will be eliminated immediately in most CAFTA-DR countries.
- Most CAFTA-DR countries will immediately eliminate duties on crude soybean oil, and the current duties on refined soybean oil phased out over 12 to 15 years.
- *The American Soybean Association, the National Grain and Feed Association, and the National Oilseed Processors Association have expressed support publicly for the CAFTA-DR FTA.*

**Corn.** Contributing nearly \$87 million in state farm cash receipts and as the state's 5<sup>th</sup> largest export sector, Maryland's corn growers benefit from the FTA.

- U.S. corn exporters face duties up to 35 percent, and the WTO permits duties as high as 75 percent.
- Costa Rica and the Dominican Republic will eliminate their duty on yellow corn immediately. The other countries will provide preferential access through individual duty-free TRQs totaling 1,151,259 metric tons initially, growing by 5 percent per year as the over-quota duties are phased out over 15 years (10 years in the case of Guatemala).
- All currently applied duties on corn products (including corn flour, corn gluten feed, corn oil and high fructose corn syrup) will be phased-out in 15 years.
- *The Corn Refiners Association, the National Corn Growers Association, the National Grain and Feed Association, the National Grains Trade Council, the North American Export Grain Association, the U.S. Grains Council, and the North American Millers Association have expressed support publicly for the CAFTA-DR FTA.*

**Wheat.** As the state's 2<sup>nd</sup> leading export sector, Maryland's wheat producers benefit from the FTA.

- U.S. grain suppliers will benefit from zero duties immediately on wheat in all six countries, as well as on some processed grain products.
- The WTO generally permits duties up to 60 percent, but can exceed 100 percent.

- *The National Association of Wheat Growers, the National Grain and Feed Association, the National Grain Trade Council, the North American Export Grain Association, the U.S. Grains Council, the U.S. Wheat Associates, and the Wheat Export Trade Education Committee have expressed support publicly for the CAFTA-DR FTA.*